

# INDIANA RAIL PLAN

## 1.0 INTRODUCTION

### 1.1 Overview

Indiana has 4,255 railroad route miles, of which 91 percent are operated by Class I railroads, principally CSX Transportation, Inc. (CSXT) and Norfolk Southern (NS). The remaining miles are operated by 37 regional, local, and switching & terminal railroads. CSXT operates 1,929 miles and Norfolk Southern operates 1,569 miles. Other Class I railroads in Indiana are the Canadian National and the Soo Line, a Canadian Pacific Railway subsidiary, as well as Amtrak, which owns 18 miles of line in Indiana, part of its Michigan line service.

In 1999, approximately 100.1 million tons of rail freight was originated and/or terminated in Indiana. Nearly two-thirds of this traffic consisted of coal and primary metal products. Other major commodity groups include farm products, scrap metal, and chemicals. Approximately 65 percent of rail freight moving in Indiana is bridge traffic—that is, interstate freight traffic that neither originates nor terminates in the state.

Short line railroads in Indiana are a vital element of the state's rail network, serving 62 counties, 15 of which are served only by short lines. Indiana short lines in 1999 handled nearly 350,000 carloads of various commodities, mostly in conjunction with the large Class I freight railroads.

Since the issuance in 1995 of the last Indiana State Rail Plan, the competitive structure of the railroad industry in Indiana has undergone significant changes. The most dramatic change was the acquisition of Conrail by CSX Transportation, Inc. and Norfolk Southern Corporation.

The principal assignment of Conrail assets in Indiana to CSXT was the St. Louis – Terre Haute – Indianapolis/Avon – Muncie – Cleveland route. The competitive effect of the assignment, agreed to by CSXT and NS prior to their control application to the U.S. Surface Transportation Board (STB), was to substantially reduce rail-to-rail competition in the Indianapolis area, going from two Class I railroads to one. To remedy this competitive defect, CSXT and NS agreed to trackage rights access to Indianapolis shippers by NS on two CSXT routes, one from Anderson, the other from Lafayette. CSXT was also assigned the Fort Wayne line of Conrail, a route of relatively low traffic density via Warsaw and Plymouth. This line also serves as relief capacity to CSXT's double-track route across northern Indiana via Walkerton and Auburn. NS has trackage rights on the CSXT Fort Wayne line.

The principal assignment of Conrail assets in Indiana to Norfolk Southern is the Chicago line via Elkhart, South Bend, and Burns Harbor. Other assignments include the Marion Branch between Goshen and Anderson; the Kankakee line (accessing the Northern Indiana Public Service Company plant at Wheatfield); and the Kalamazoo line between Elkhart and Michigan points. Fort Wayne continues to be the system hub of NS Triple Crown Services, utilizing RoadRailer<sup>®</sup> technology and Indiana's last Class I railroad Division headquarters.

The formal assumption of operating control of Conrail properties took place on June 1, 1999. The initial transition of operating control was problematic. For example, Norfolk Southern experienced information management system integration failures that greatly reduced the velocity of traffic across its system. The large classification yard at Elkhart, IN, was one of the major bottlenecks on the NS system as the interrupted flow of data hampered car classification and, consequently, train dispatchments. Service on both NS and CSXT was gradually restored to normalcy in the year 2000.

A significant environmental provision of the Conrail acquisition involves agreements, approved by the STB, between CSXT and the cities of Gary, East Chicago, Whiting, and Hammond, IN, which mitigates rail/highway grade crossing impacts on the CSXT Barr Subdivision between Pine Junction in Gary and the Illinois state line, six miles. The reduction or possible elimination of through freight trains on this line segment would involve the upgrade of a grade-separated line known as the Dune Park Branch, operated by the Indiana Harbor Belt Railroad. Upgrade of this branch would also improve the fluidity of rail freight operations in the area by the elimination of rail lines crossing at grade, including the NS Lake Division main line. The four cities are currently studying the feasibility and cost effectiveness of this possible routing option.

Canadian National Railway (CN) has a relatively minor presence in Indiana, operating 81 miles in northwest Indiana via South Bend and Valparaiso, neither originating nor terminating traffic of any significant volume by rail. Nevertheless, CN is one of the heaviest-traffic-density lines in Indiana, with an average of 32 freight trains per day between Detroit/Port Huron and the Chicago area. CN was privatized in 1995 with an initial public stock offering. It acquired, with STB approval, the Illinois Central Railroad in 1999 and the Wisconsin Central System in 2001.

Canadian Pacific Railway, through its Soo Line subsidiary, owns and operates approximately 94 route miles between Terre Haute and Bedford. This line segment is connected to Chicago and Louisville by trackage rights on CSXT and NS.

Rail passenger service in Indiana is conducted by two operating entities: Amtrak and the Northern Indiana Commuter Transportation District (NICTD), known as the SouthShore Line. Amtrak serves 13 stations in Indiana, with eight named trains on five routes. At two of these stations, Indianapolis and Connersville, all service occurs between midnight and 4 a.m.

NICTD operates about 37 weekday electric trains, with fewer on weekends, between Chicago – Randolph Street Station and various points in Indiana, including Gary, Michigan City, and South Bend. In 1990, NICTD completed the purchase of the operating assets of the former Chicago, SouthShore, and South Bend Railroad following its entering bankruptcy in 1989. Freight service is provided under contract on the NICTD line by SouthShore Freight (CSS), a unit of Anacostia and Pacific Corporation.

In March 2001, NICTD issued the West Lake County Corridor Major Investment Study, which examined proposed commuter service routes. These routes would incorporate the use of the former Monon Corridor from Hammond to Munster, then continue either to Valparaiso on right-of-way owned by CN or to Lowell on right-of-way owned by CSXT. The recommended, locally preferred alignment is the Valparaiso route on CN, which it is estimated would generate about 3,775 inbound morning peak riders in the year 2020.

In May 2001, one of the United States' largest railroad/highway grade crossing elimination projects was completed in Lafayette, IN, after many years of planning and construction. A total of 42 grade crossings and a section of street running were eliminated through line relocation in this decades long project involving two NS and one CSXT line through Lafayette. The CSXT line is also used by Amtrak trains between Indianapolis and Chicago.

In terms of future intercity rail passenger service, Indiana would be served by the Federal Railroad Administration's presently designated high-speed routes between the western hub at Chicago and Detroit, Cleveland, Cincinnati, and Louisville. These routes are part of the Midwest Regional Rail Initiative, a cooperative, multi-agency effort to develop an improved and expanded network. This proposed 3,000-mile network includes a fleet of trains operating up to 110 mph. The capital investment required is about \$4.1 billion, and the plan forecasts revenues sufficient to cover annual operating costs.

## 1.2 Trends and Developments

Intermodal transportation of containers/trailers will continue to be the principal area of growth for the railroad traffic base. In addition to CSX intermodal terminals at Indianapolis and Evansville, and NS Triple Crown Services at Ft. Wayne, intermodal shippers in certain areas of Indiana will continue to rely significantly on railroad intermodal terminals in adjacent states. These terminals include Chicago, Louisville, Cincinnati, and Toledo. Hoosier Lift in Remington, IN, near I-65, on the Toledo, Peoria, and Western Railway is expected to remain a relatively small part of the intermodal market.

Dry bulk commodities will continue to shift from cars with a capacity of 263,000 lbs. to rail cars with a capacity of 286,000 lbs. gross weight on rail (GWR). Some short line mileage could be threatened with abandonment as a result, particularly route mileage serving small volume agribusinesses, if the capital funds for the necessary line upgrades cannot be obtained. If the trend toward unit trains at high volume, high-speed grain terminals in the upper Great Plains states spreads to Illinois and Indiana, significant abandonments of short line mileage dependent on grain traffic may result. While such terminals can double the productivity of covered hopper railroad cars and locomotives and provide shippers with lower rail rates, they can also result in heavier trucks traveling greater distances on local roads.

With the exception of the future abandonment of some stub-end, very low traffic density mileage in Indiana, the rationalization of the rail network in Indiana that began in the 1970s is accomplished. In the year 2000, less than one route-mile was abandoned. In the year 2001, 10.8 route-miles were abandoned. However, some of the earlier abandonments, such as the former Big Four route of the New York Central System between Chicago and Indianapolis, now deprive Indiana of valuable network links, as the need for rail capacity for high-quality intermodal and passenger service has increased. The present NS route between Chicago and Cincinnati, via Fort Wayne and Muncie, is a predominantly single-track route, nearly 40 miles longer than the former Big Four route via Indianapolis.

Without a restructuring of intermodal rail service offerings, it is unlikely that there will be appreciable diversion of truck traffic from Indiana highways to rail. As long as rail carriers perceive that handling intermodal traffic with a line haul of less than 400 to 500 miles is inherently unprofitable, diversions to rail from the largest trucking segment will be inconsequential. Thus markets such as Gary/Cincinnati, Muncie/Detroit, and Indianapolis/Chicago will remain truck-dominated, since railroads estimate that too little line-haul revenue is available relative to terminal and drayage expenses for truck pick-up and delivery at the shippers' facilities.

Nevertheless, NS does offer its bi-modal trailer Triple Crown Services between Fort Wayne and St. Louis, MO, a distance of about 340 miles. NS does not, however, offer Triple Crown Services between Fort Wayne and its terminals at Chicago, Detroit, or Toronto. Another technology, known as Expressway, is utilized by Canadian Pacific Railway (CPR) for intermodal service between Toronto, ON, and Montreal, QC, a line-haul of about 330 miles. CPR offers the service with reserved space, twice each day, to common and private carriers. CPR's Expressway service does not require reinforced intermodal trailers. Certain short haul markets in Indiana may be attractive for non-conventional intermodal, such as Expressway and RoadRailer®. Such markets typically require several large base load shippers and a relatively balanced traffic flow between terminals, circumstances that are usually not readily available.

Rail routes, either existing or abandoned, selected for high-speed passenger service present an opportunity for expanded, high-quality intermodal freight service.

## 2.0 CURRENT RAIL SYSTEM IN INDIANA

The current rail system in Indiana is structured to primarily handle east-west traffic flows across northern Indiana to and from Chicago, across central Indiana through Indianapolis, and across